

(e) As regards *Indian Railways*, the process of purchase by the Indian Government proceeds as the dates of the original leases of the lands on which they are constructed expire. The Government, in purchase, chiefly allots in exchange two classes of annuities continuing for a specified period. The capital sum paid by the Government in exchange for the transfer constitutes the present value of these annuities, on the basis of the rate of compound interest for their calculation which has been settled. In the one class of annuity the full annuity is received by the owner and, unless he himself provide from each payment of the annuity an amount (termed a Sinking-fund), which he can continuously invest at compound interest during the currency of the specified term, his capital becomes totally extinct and lost when that period has terminated. In the other class of annuity, the same annual sum is granted, but before its payment a small stated proportion is deducted as a sinking-fund, and placed in the hands of responsible trustees, so that, by its investment and reinvestment while the annuity endures, the full original capital of the holder may be restored to him at the close of the assigned time.

It is obvious that trustees skilled in finance, with funds to deal with of the magnitude represented by the aggregate of these "sinking-fund" deductions, are in a position to realise, for the benefit of the holders, a continual and adequate rate of compound interest which is utterly impracticable to a single investor who attempts—and will fail—to create and manage a sinking-fund for himself. Hence, for example, he should select the B annuities of the Great Indian Peninsula Railway and the C annuities of the East Indian Railway. The B annuities of the latter railway do not provide a sufficiently large sinking-fund. These annuities are charged exclusively upon the revenue of India, without recourse to any claim upon the resources of the United Kingdom, but the security is complete since the British nation would never permit the Indian Empire to pass from its control. Where a trust fund comprises Indian Railway stock the trustees should obviously—for the

protection of the reversionary  
beneficiaries—select the form of annuity  
which provides for redemption of the  
capital. A remark also may be added  
with respect to the